

MINUTE ITEM

2. OIL AND GAS LEASING POLICY - GEN. DATA - O&G.

After consideration of Calendar Item 2 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED:

1. TO TRANSMIT A COPY OF THE SUMMARY REPORT PRESENTED IN THE SUBJECT CALENDAR ITEM TO REAR ADMIRAL J. JAMES, U.S.N., CHIEF, BUREAU OF SHIPS, AS A REPORT OF THE PRACTICES AND POLICIES OF THE STATE LANDS COMMISSION WHICH WILL BE INCLUDED IN ANY DETERMINATION BY THE COMMISSION FOR ISSUANCE OF AN OIL AND GAS LEASE ON TIDE AND SUB-MERGED LANDS WITHIN THE CITY OF LONG BEACH.
2. TO TRANSMIT A COPY OF THE AFORESAID TO THE CITY OF LONG BEACH WITH THE STATEMENT OF THE COMMISSION THAT IT WOULD APPEAR DESIRABLE THAT A SIMILAR REPORT BE SENT TO ADMIRAL JAMES BY THE CITY, OUTLINING THE LEASING AND DEVELOPMENT POLICIES OF THE CITY OF LONG BEACH.

Attachment

Calendar Item 2 (2 pages)

CALENDAR ITEM

2.

OIL AND GAS LEASING POLICY - GEN. DATA-O&G

At a recent conference between representatives of the Navy Department, the City of Long Beach, and the State Lands Commission, the concern of the Navy Department was reported as to possibilities of future tideland oil and gas development on areas now not leased within the City of Long Beach under control conditions which might not assure prevention of additional land-surface subsidence.

The only oil and gas operation under the administration of the State Lands Commission adjoining the Long Beach tidelands is Lease P.R.C. 186.1, held jointly by Monterey Oil Company and Texaco Inc., in the Belmont Offshore Field. This lease was issued on September 24, 1945, and currently has 30 producing wells. Continuing checks of land elevation within the leased area have been maintained both by the lessee and the State Lands Commission, without any evidence to date of land-surface subsidence. On May 13, 1958 (Minute Item 7, page 4016), the Commission approved wharf construction to accommodate operating equipment necessary to initiate a pilot waterflood operation in the subject lease, and on June 11, 1958 (Minute Item 3, page 4055), the Commission approved the initiation of the pilot waterflood program to increase oil recovery and to maintain reservoir pressures to preclude any land-surface subsidence due to reservoir-pressure depletion.

The tide and submerged land area within the City of Long Beach immediately adjoining the Belmont offshore area is the subject of Case No. 683,824, Los Angeles County Superior Court, People vs. City of Long Beach, which has been set for trial September 28, 1959, to resolve the question of whether title to oil and gas is vested in the City or in the State in lands granted to the City by the State and subsequently quitclaimed to the State by the City. This area is potentially the only portion of the Long Beach tide and submerged lands which might become available for lease offer by the State Lands Commission.

The most recent leases awarded by the State Lands Commission provide specifically for control of lease operations in a manner to assure that land-surface subsidence will not be aggravated or caused by operations under the lease. These controls are a condition of the leases, as follows:

"8. The State reserves and retains the right, upon receipt of any evidence of subsidence of the surface of either the leased or adjacent lands, to determine that any or all further operations under this lease would or might aggravate or cause subsidence to the impairment or interference with the developed shoreline recreational or residential areas adjacent to the leased lands or damage to other shoreline properties. In the event of such determination, the State may notify the Lessee, in writing, to suspend in the manner and to the extent specified in said notice, all or any part of Lessee's operations under this lease within thirty (30) days of said notice, and the Lessee agrees to suspend said operations within said time in the manner and to the extent so specified.

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"Exercise of either or both of the foregoing rights by the State is subject to the following PROVISOS:

(1) Such determination may be made by the State Lands Commission at any time during the effective term of this lease but only at a meeting of said Commission following at least thirty (30) days after written notice to Lessee that the Commission has received evidence of such subsidence and proposes to determine whether any or all further operations under this lease would or might cause or aggravate subsidence to the impairment or interference with the developed shoreline recreational or residential areas or damage to other shoreline properties adjacent to the leased lands. At any such meeting Lessee may present facts and arguments relevant to such determination.

(2) At least thirty (30) days prior to said meeting, the State shall, to the best of its ability and to the extent permitted by law, make available to Lessee for study any and all written and graphic information and opinions theretofore received or prepared by or for the Commission relative to subsidence of the surface of the leased and adjacent lands.

(3) Operations under this lease suspended pursuant to this Section 8 may be resumed by Lessee, in whole or in part, only in the manner and to the extent provided and subject to conditions contained in a program, agreed to by both the State and Lessee, designed to alleviate or prevent further subsidence.

(4) Notwithstanding any agreement by the State to any such program, the State may, upon receipt of evidence of further such subsidence occurring subsequent to the resumption of operations under such program, notify Lessee to again suspend operations in accordance with the provisions of this Section, and Lessee agrees to so suspend operations.

"During any such period of suspension in whole or in part pursuant to this Section 8, the drilling, offset, and production obligations of Lessee shall likewise be suspended in whole or in part to the extent and only to the extent that the performance of such drilling, offset, and production obligations is rendered impracticable or unreasonable as a result of the notice to suspend issued by the State pursuant to this Section 8.

"The rights reserved and retained by the State Lands Commission under this Section 8 shall be exercisable to the extent and only to the extent that such exercise is permitted by law at the time of such exercise."

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO TRANSMIT A COPY OF THE FOREGOING SUMMARY STATEMENT TO REAR ADMIRAL J. JAMES, USN, CHIEF, BUREAU OF SHIPS, AS A REPORT OF THE PRACTICES AND POLICIES OF THE STATE LANDS COMMISSION WHICH WOULD BE APPLICABLE TO ANY COMMISSION CONSIDERATION FOR ISSUANCE OF AN OIL AND GAS LEASE ON TIDE AND SUBMERGED LANDS WITHIN THE CITY OF LONG BEACH.